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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

[ X ] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 28, 1992

80-14726
80-35357

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

13/L7
82-2244

For the transition period from..... to .....
Commission File Number: 0-10345

CACHE, INC.
(Exact Name of registrant as specified in its Charter)

| FLORIDA | 59-1588181 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

1460 Broadway, New York, New York 10036
(Address of principal executive offices) (zip code)

212-840-4242
(Registrant's telephone number, including area code)

.....
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

13-10 C

YES X NO

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APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practicable date.

| Common Stock, $.01 | 31,494,665 |
|---|---|
| Class of Stock Outstanding | Outstanding at May 11, 1992 |

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CACHE, INC. AND SUBSIDIARIES
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CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | March 28, 1992 | December 28, 1991 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 305,000 | $ 356,000 |
| Receivables | 977,000 | 1,125,000 |
| Inventories | 8,189,000 | 6,637,000 |
| Prepaid Expenses and Other | 166,000 | 183,000 |
| Total Current Assets | 9,637,000 | 8,301,000 |
| Property, Equipment and Leasehold Improvements, at cost | 14,768,000 | 13,940,000 |
| Less Accumulated Depreciation and Amortization | (6,080,000) | (5,707,000) |
| | 8,688,000 | 8,233,000 |
| OTHER ASSETS | 134,000 | 135,000 |
| | $18,459,000 | $16,669,000 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Short-Term Bank Debt | $ 167,000 | $ 1,517,000 |
| Short-Term Indebtedness to Related Party | 220,000 | 220,000 |
| Accounts Payable | 4,065,000 | 3,711,000 |
| Current Maturities of Capital Lease Obligations | 75,000 | 73,000 |
| Accrued Compensation | 258,000 | 694,000 |
| Accrued Liabilities | 1,816,000 | 2,124,000 |
| Total Current Liabilities | 6,601,000 | 8,339,000 |
| LONG-TERM BANK DEBT | 3,977,000 | 69,000 |
| SUBORDINATED INDEBTEDNESS TO RELATED PARTY | 2,000,000 | 2,000,000 |
| CAPITAL LEASE OBLIGATIONS | 137,000 | 157,000 |
| OTHER LIABILITIES | 998,000 | 836,000 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock, par value $.01; 7-1/2% Series A; authorized, 100,000 shares; issued and outstanding, 1,967 shares at March 28, 1992 and December 28, 1991 | -- | -- |
| Common Stock, par value $.01; authorized, 40,000,000 shares; issued and outstanding 31,494,665 shares at March 28, 1992 and 31,369,665 shares at December 28, 1991 | 315,000 | 314,000 |
| Additional Paid-in Capital | 17,859,000 | 17,813,000 |
| Accumulated Deficit | (13,428,000) | (12,859,000) |
| | 4,746,000 | 5,268,000 |
| | $18,459,000 | $16,669,000 |

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
FOR THE THIRTEEN WEEKS ENDED

| | March 28, 1992 | March 30, 1991 |
|---|---|---|
| Net Sales | $13,576,000 | $11,410,000 |
| Costs and Expenses | | |
| Costs of Sales, including occupancy and buying costs | 9,170,000 | 7,738,000 |
| Selling, General and Administrative expenses | 4,860,000 | 4,053,000 |
| | 14,030,000 | 11,791,000 |
| Operating Loss | ( 454,000) | ( 381,000) |
| Interest Expense | | |
| Related party | 47,000 | 38,000 |
| Other | 68,000 | 70,000 |
| | 115,000 | 108,000 |
| Loss Before Income Taxes | ( 569,000) | ( 489,000) |
| Income Tax Provision | -- | -- |
| Net Loss | ($ 569,000) | ($ 489,000) |
| Net Loss Per Share | ($ .02) | ($ .02) |

The accompanying notes to consolidated financial statements are an integral part of these statements.

CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE THIRTEEN WEEKS ENDED

| | March 28, 1992 | March 30, 1991 |
|---|---|---|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES: | | |
| Net Loss | ($ 569,000) | ($ 489,000) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 374,000 | 393,000 |
| Accrual of future rent escalations | 75,000 | 61,000 |
| | (120,000) | ( 35,000) |
| Change in assets and liabilities: | | |
| (Increase) Decrease in receivables | 148,000 | ( 12,000) |
| (Increase) Decrease in inventories | (1,552,000) | (1,328,000) |
| (Increase) Decrease in prepaid expenses | 17,000 | 50,000 |
| Increase (Decrease) in accounts payable | 354,000 | 562,000 |
| Increase (Decrease) in accrued liabilities and accrued compensation | (744,000) | (421,000) |
| Total changes in assets and liabilities | (1,777,000) | (1,149,000) |
| Net cash used in operating activities | (1,897,000) | (1,184,000) |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Payments for property and equipment | (828,000) | (312,000) |
| Net cash used in investing activities | (828,000) | (312,000) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES: | | |
| Principal payments under capital lease obligations | (18,000) | ( 18,000) |
| Proceeds (repayment) of long-term bank debt | 3,908,000 | ( 42,000) |
| Proceeds (repayment) of short-term bank debt | (1,350,000) | 1,525,000 |
| Proceeds from issuance of common stock | 47,000 | -- |
| Other, net | 87,000 | ( 2,000) |
| Net cash provided by financing activities | 2,674,000 | 1,463,000 |
| Net increase (decrease) in cash | ( 51,000) | ( 33,000) |
| Cash at beginning of period | 356,000 | 383,000 |
| Cash at end of period | $ 305,000 | $ 350,000 |

The accompanying notes to consolidated financial statements are an integral part of these statements.

CACHE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

In the opinion of the Company, the accompanying consolidated financial statements include all adjustments necessary, which are considered normal and recurring to present fairly the financial position of the Company at March 28, 1992 and December 28, 1991, and the results of operations for the thirteen week periods ended March 28, 1992 and March 30, 1991 and consolidated statements of cash flows for the thirteen weeks then ended.

Certain financial information which is normally included in financial statements prepared in accordance with generally accepted accounting principles, but which is not required for interim reporting purposes, has been condensed or omitted. The accompanying consolidated financial statements should be read in conjunction with the Financial Statements and notes thereto included in the Company's latest annual report on Form 10-K for the fiscal year ended December 28, 1991.

2. NET INCOME OR LOSS PER SHARE

Net income or loss per share has been computed based on the weighted average number of shares of common stock outstanding for the thirteen weeks ended March 28, 1992 and March 30, 1991.

The approximate number of shares used in the computations of income per common share were 31,393,000 and 30,845,000 for the thirteen week periods ended March 28, 1992 and March 30, 1991, respectively. In 1992 and 1991 common stock equivalents arising from stock options and warrants, computed utilizing the treasury stock method of accounting, were not used due to their antidilutive effect.

3. OTHER ASSETS

| | March 28, 1992 | December 28, 1991 |
|---|---|---|
| Trademark | $111,000 | $111,000 |
| Less: accumulated amortization of Trademark | ( 48,000) | ( 47,000) |
| | 63,000 | 64,000 |
| Deposits | 71,000 | 71,000 |
| | $134,000 | $135,000 |

4. ACCRUED LIABILITIES

| | March 28, 1992 | December 28, 1991 |
|---|---|---|
| Operating Expenses | $ 928,000 | $ 942,000 |
| Taxes | 371,000 | 446,000 |
| Leasehold Additio. | 170,000 | 380,000 |
| Other | 347,000 | 356,000 |
| | $1,816,000 | $2,124,000 |

5. BANK DEBT

On February 1, 1992, the Company reached an agreement with its bank for the terms of a $4,750,000 revolving line of credit (the "Revolving Credit Facility") replacing the $2,750,000 line of credit which expired on January 31, 1992. The new $4,750,000 long-term line of credit will run through January 31, 1994 and amounts outstanding thereunder will bear interest at the per annum rate of 1.25% above the bank's prime rate. The Company granted the bank a security interest in its inventory and certain accounts receivable to secure its obligation under the Revolving Credit Facility, which contains selected financial and other covenants including covenants to maintain a minimum current ratio and minimum working capital, a maximum debt to equity and total equity ratio, a maximum capital expenditure covenant, a minimum earnings to bank interest coverage ratio and certain restrictions on the repayment of principal amounts due to related parties. The outstanding balances on the lines of credit at March 28, 1992 and December 28, 1991 were $3,950,000 and $1,350,000, respectively.

In May of 1990, the Company received a three year unsecured $500,000 term loan from a bank. Repayment of principal and interest are made monthly. The current portion of the term loan was $167,000 at March 28, 1992 and December 28, 1991. The term loan bears interest at the rate of 1.25% per annum above the bank's prime rate.

6. INDEBTEDNESS TO RELATED PARTY

As of March 28, 1992 and December 28, 1991 the Company had outstanding, (i) a $220,000 short-term loan from a major stockholder bearing interest at the rate of 7-1/2% per year; (ii) a $250,000 long-term loan from the same stockholder bearing interest at the rate of 7-1/2% per year with principal due upon demand at any time after January 1, 1994; and (iii) a $1,750,000 loan made by the same stockholder bearing interest payable quarterly at the rate of 8-1/2% per year with principal due upon demand at any time after January 1, 1994.

7. INCOME TAXES

No benefit for income taxes was provided in the consolidated financial statements because realization of such income tax benefit was not reasonably assured.

8. CONTINGENCIES

The Company is exposed to a number of asserted and unasserted potential claims. In the opinion of management the resolution of these matters is not presently expected to have a material adverse effect upon the Company's financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

During the thirteen weeks ended March 28, 1992, the Company utilized its existing bank credit facilities by increased bank borrowings ($2,558,000) to finance existing operations, and its expansion of nine new stores which opened in March and April. Cash used by operations was $1,897,000 versus $1,184,000, in 1992 and 1991 respectively. This need for additional borrowing is primarily due to the increase in inventories during 1992 for new stores and for repayment of accrued expenses at December 28, 1991. At March 28, 1992 the Company had 79 stores in operation, 13 additional stores or a 9.20% increase from March 30, 1991 when the Company had 66 stores in operation. The expansion required increases in inventory ($1,552,000) which was partially funded by an increase in accounts payable of $354,000.

The Company plans to open a total of approximately sixteen new stores during 1992. Nine new stores have opened prior to May, while the remaining stores are expected to be opened during the balance of 1992. After deducting construction allowances paid to the Company by its landlords, the Company has spent $828,000 thru March 28, 1992 and expects to spend an additional $1,500,000 in 1992 for both new store and existing store construction and remodeling. The Company anticipates that it will finance new store construction in 1992 primarily by cash flow from operations.

The Company believes that given the sources of credit discussed above, its financial resources will be sufficient to meet anticipated requirements.

## RESULTS OF OPERATIONS

The Company's results of operations for the thirteen weeks ended March 28, 1992 declined as compared to the same period in 1991. The increase in sales and related increases in gross profits did not offset the increase in operating expenses and interest expense.

Certain financial data concerning the Company's results of operations for the thirteen weeks ended March 28, 1992 and March 30, 1991 expressed as a percentage of net sales, are as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| | March 28, 1992 | March 30, 1991 |
| Sales | 100.0% | 100.0% |
| Cost of Sales, including occupancy and buying expenses | 67.5% | 67.8% |
| Selling, general and administrative expenses | 35.8% | 35.5% |
| Operating Income (Loss) | (3.3%) | (3.3%) |
| Interest Expense | .8% | .9% |
| Net Income (Loss) | (4.2%) | (4.3%) |

### Sales

Net sales increased $2,166,000 or 19.0%, during the thirteen week period ended March 28, 1992 versus the comparable period in 1991. The increase was due to the greater number of stores open during the 1992 period and increases in sales at existing stores during 1992.

Historically, sales at new stores do not achieve the same levels as existing, established stores. New stores generally begin to perform as well as existing stores during their second and third year of operation. Sales on a weighted average basis for the thirteen week periods ended March 28, 1992 and March 30, 1991 were as follows:

| | Thirteen Weeks Ended | |
|---|---|---|
| | March 28, 1992 | March 30, 1991 |
| Sales | $13,576,000 | $11,410,000 |
| Store Operating Months | 232 | 198 |
| Weighted Average Stores Open During Period | 77.3 | 66.0 |
| Net Sales Per Weighted Average Number of Stores | $ 176,000 | $ 173,000 |
| Net Weighted Average Sales per Square Foot | $ 88.59 | $ 86.56 |
| Stores Open at End of Period | 79 | 66 |

Costs and expenses

Cost of sales, including occupancy and buying costs, increased $1,432,000 or 18.5% for the thirteen weeks ended March 28, 1992 versus the similar 1991 period. The increase was primarily due to the increase in sales and the related cost of the merchandise for those sales, and a $250,000 increase in occupancy expenses primarily due to the additional stores in operation during 1992 versus 1991. As a percentage of sales, cost of sales, including occupancy and buying expenses, decreased .3% (67.5% versus 67.8%) for the thirteen weeks ended March 28, 1992 versus the comparable period in 1991. The decrease was primarily due to lower occupancy expenses as a percentage of sales, and was partially offset by higher markdowns as a percent of sales, as well as lower initial markups.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $807,000 or 19.9% during the thirteen weeks ended March 28, 1992 versus the comparable period in 1991. The increase was primarily due to the greater number of stores open in 1992 (13 more than Fiscal 1991), and is reflected in greater payroll and payroll taxes ($514,000), advertising ($101,000), travel ($59,000), insurance ($33,000), credit card processing fees ($53,000) and other variable volume related expenses. As a percentage of sales these expenses decreased .3% (35.8% versus 35.5%) for the thirteen weeks ended March 28, 1992 versus the similar 1991 period. The decrease was due primarily to the relatively fixed nature of most general and administrative expenses.

Interest expense

Interest expense increased $7,000 (6.5%) for the thirteen week period ended March 28, 1992 versus the comparable period in 1991 primarily due to higher average borrowing levels in 1992. Increased interest expense was partially offset by a reduction in the bank's prime interest rate in Fiscal 1992 as compared to Fiscal 1991.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

NONE

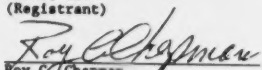
(b) Reports on Form 8-K

Form 8-K Amendment to Annual Report on Form 10-K dated March 28, 1992 was filed with the Commission on April 24, 1992. Such amendment amended items 10, 11, 12, 13 and 14 previously filed as part of the Annual Report on Form 10-K for the fiscal year ended December 28, 1991.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CACHE, INC.
(Registrant)

May 11, 1992

BY: 
Roy C. Chapman
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

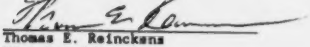
BY: 
Thomas E. Reinckens
Vice President and
Chief Financial Officer
(Principal Financial and
Principal Accounting Officer)

EXHIBIT 11.1
CALCULATION OF PRIMARY AND FULLY DILUTED EARNINGS PER COMMON SHARE

(In thousands except per share data)

| | THIRTEEN WEEKS ENDED | |
|---|---|---|
| | MARCH 28, 1992 | MARCH 30, 1991 |
| **EARNINGS** | | |
| Net Income (Loss) Applicable to Common Stockholders | ($ 606,000) | ($ 526,000) |
| **PRIMARY SHARES** | | |
| Weighted Average Number of Common Shares Outstanding | 31,393,000 | 30,845,000 |
| Assuming Conversion of Outstanding Stock Options and Stock Warrants | -- | -- |
| Less Assumed Repurchase of Common Stock Pursuant to the Treasury Stock Method | ( -- ) | ( -- ) |
| Weighted Average Number of Common Shares Outstanding As Adjusted | 31,393,000 | 30,845,000 |
| Primary Earnings Per Share | ( $ .02 ) | ( $ .02 ) |
| **FULLY DILUTED EARNINGS PER SHARE** | | |
| Weighted Average Number of Common Shares Outstanding | 31,393,000 | 30,845,000 |
| Assuming Conversion of Outstanding Stock Options and Stock Warrants | -- | -- |
| Less Assumed Repurchase of Common Stock Pursuant to the Treasury Stock Method | ( -- ) | ( -- ) |
| Weighted Average Number of Common Shares Outstanding As Adjusted | 31,393,000 | 30,845,000 |
| Fully Diluted Earnings Per Share | ( $ .02 ) | ( $ .02 ) |